

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 20, 2004, 2:30 p.m.

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer.
Guests: Al Picconi, United Beverages, Inc.

EXCUSED: Chairman Anthony Maiola; Peter Engel, Director of Store Operations.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 5/16/04 shows retail sales were down -3.7%, off-premise sales were down -.12%, on-premise sales were up almost 9.6%, and total aggregate sales were down -.22%. The traffic count also decreased by 3,690, as did the average sales ticket by \$.22.

The W-1 Total Weekly Sales report for the same week confirms total sales were down -.22% or (\$14,062), but were up for the year by 7.56% or \$22,821,191. Wine sales decreased for the weekly comparison by almost -2.5% or (\$72,858), as they did by 7.56% or \$10,608,039 for the year. Sales of spirits, however, showed an increase for the week of 1.7% or \$58,795, and also increased year-to-date by 7.55% or \$12,213,352.

B. Budget/Administrative Reports:

There was nothing of significance to report regarding outstanding depletions and post-offs for this past week.

May 15th marked the one-year anniversary of the gift card program. There are no longer statistics available on paper certificates. Craig will continue to monitor figures on the current gift card program.

Craig forwarded to the Commissioners letters he received from Johnson Controls regarding the HVAC overages/ The Commission granted him permission to prepare a Governor and Council letter requesting an extension to cover the needed \$15,000, which he would like to get on the agenda for the last meeting of the year.

A promotional card meeting is scheduled for June 2nd with Ann Jordan from Paymentech. Craig will pass along pricing information from her to John Bunnell.

Craig reported that the Liquor Commission is now entirely out of SB 534, and will not even be involved in tobacco licensing.

The Attorney General's Office has approved the ACR contract amendment, and is now awaiting approval from OIT. It is anticipated that this item will be on the June 16th agenda.

The W-6 Expense Budget Activity Variance Report shows the year to be at approximately 88.49% expired, with total expenditures at about 85.90% of the budget. The Office of the Commissioners Current Expenses money has now been depleted, but additional funds will be picked up from other accounts.

George is working on putting together a request to Governor and Council to increase the revolving petty cash accounts for stores, which are almost at the present ceiling of \$108,000. John Larochelle will provide estimates on what the stores will need. The set-up for the new Seabrook store has also been sent over to Governor and Council. The security contract will be on the June 3rd agenda. The Attorney General's Office has still not signed off on the American Express contract. George will keep the Commission posted on this.

Evie said that paperwork for the two new positions for the new Seabrook store had been approved.

Monday Evie will go into the Warehouse with representatives from Liberty Mutual and Risk Management to look over those operations, and on June 15th they will visit Stores #21 Peterborough and #15 Keene. Evie will then set up a meeting with the Commission to review the results of these reviews.

2. IT Report

Howard reported that the new Seabrook store is functional, but the quality of the Verizon line is questionable. As a result, there may be some duplicate transactions. IT needs to go into a store at least a week before opening to make sure everything will be working smoothly.

Howard spoke with IT CIO Rick Bailey. He has signed the Dolphin software request, expenses for which will come out of next year's monies.

ACR has sent over some fixes for voice authorization and promotion cards, both of which now appear to be fully functional. Information has to be sent to each store to be executed in order to achieve implementation. Rick Racicot is presently on vacation, but Howard feels this project can wait until he returns.

He estimated that actual promotions can begin in June. Commissioner Byrne asked that brokers be informed that promotions will be entertained now.

In about three to four days IT will be ready to test credit cards on the web site for sales in the warehouse to licensees. If everything is functional, gift cards will then be put out.

II. MARKETING & SALES REPORTS

1. Store Operations

A roll-out meeting was held this morning for store managers concerning June, July and August promotions. The meeting was also attended by representatives from Horizon Beverage Company, Martignetti Companies of N.H. and United Beverages, Inc. Both Nicole and Rick spoke about floor planners. Peter Engel was still meeting with managers at the time of this meeting.

John said Chairman Maiola advised him to speak about combining the Berlin and Gorham stores, saying that Councilor Ray Burton is favorable to this action.

Store #28 Seabrook opened yesterday, and all systems appear to be working well. Commissioner Byrne suggested that additional floor space be filled with product from the back room.

2. Purchasing Report

The in-stock situation is in excellent condition at this time.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Café Lolita Coffee Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./David Sherman Corporation, for a new test market listing for Café Lolita Coffee Liqueur, 1.75L size (assigned four-digit Code #8167), as recommended by Richard Gerrish, Spirits Marketing Specialist and

concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Arrow Melon & Arrow Triple Sec):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./David Sherman Corporation for new test market listings for Arrow Honey Dew Melon Liqueur, 750ML size (assigned four-digit Code #8160) and Arrow Triple Sec, 750ML size (assigned four-digit Code #8161), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Results (Codes #5377 & #3524):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty listings for Code #5377, Bauchant Napoleon Liqueur, 750ML size and Code #3524, Pravda Polish Vodka, 750ML size, as each item achieved the gross profit required for specialty consideration at the conclusion of a six-month test market period, to be carried in liquor specialty stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Fathers Day Sale – Spirit Offers:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty (30) spirit items to be featured on sale during the Father's Day Sale, scheduled from Thursday, June 10 through Sunday, June 20, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) July Special Offers:

a. 165 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred sixty-five (165) spirit items, to be featured on sale during July 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 58 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of fifty-eight (58) spirit items (without matching state funds), to be featured on sale during July 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Pravda Sampling Kit:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Charles Jacquinet Cie, Inc. for the Commission to make a special purchase of the Pravda Vodka Mini Tasting kit (assigned four-digit Code #3514), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Cecil Aldin Purchase:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./International Brands, for the Commission to make a special purchase of cases remaining in the warehouse of discontinued Code #1282, Cecil Aldin Scotch, 750ML size, with a reduction in price to assist in depleting remaining inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) One Time Buy Request (Code #3784):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from United Beverages, Inc./David Sherman Corporation, for the Commission to make a one-time purchase of Code #3784, Margaritaville Oro Tequila Max pack, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Consumer Raffle (Chi-Chi's premixed drinks):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton

Brands to conduct a consumer sweepstakes during June 2004 in conjunction with the promotion of Chi-Chi's premixed drinks, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Crown Royal Demo:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America to conduct Team Crown Royal demonstrations in Stores #34 Salem, #38 Portsmouth and #76 Hampton on June 10, 11 and 12, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Kahlua Non-Alcoholic Sampling:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq to conduct non-alcoholic Kahlua samplings for two hours each day beginning Friday, June 25 through Sunday, July 11, 2004 at Stores #73 and #76 Hampton, #38 Portsmouth, #66 and #67 Hooksett, #34 Salem, #49 Plaistow, #50 and #69 Nashua, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Wine Delist & Warnings (6 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve warning recommendations from Kathleen Hass and Nicole Horton, concurred by John Bunnell, Administrator of Marketing & Sales, regarding six (6) wine codes which are not earning the gross profit requirements in the retail and/or total markets as of May 2, 2004. The motion was unanimously adopted.

2) Special Offers for July 2004:

a. 3 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions of three (3) wine items, to be featured

on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 6 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of six (6) wine items, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 18 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of eighteen (18) wine items, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 35 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of thirty-five (35) wine items, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 47 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of forty-seven (47) wine items, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 6 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of six (6) wine items, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for the Summer Sale:

a. 18 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of eighteen (18) wine items, to be featured on sale during the July 2004 Summer Sale, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 18 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of eighteen (18) wine items, to be featured on sale during the August 2004 Summer Sale, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Rock Rabbit:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special purchase offer from M.S. Walker, Inc./The Purple Wine Company on two Rock Rabbit wine items, including a special purchase allowance in June and a depletion allowance during The American Wine Sale, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Sterling Vineyards Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo Chateau & Estates, to conduct a sweepstakes featuring four Sterling Vineyard

varietals during July and August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Request Black Oak:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from M.S. Walker, Inc. to place absolutes on seven (7) Black Oak wines in Store #6 Portsmouth for licensees to purchase, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Wine Specialty Products (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Allocated Wines for Distribution to Selected Stores (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) allocated wine items for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) “R” Wines for Allocation to Licensees & Retail Distribution (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) “R” wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Primary Source Submissions (3 items – exclusive agent; 70 items imported; 1 item – primary source; 7 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve primary source submission as follows, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: three (3) wine codes which are not from primary source, but are offered by the exclusive marketing

agent; seventy (70) wine codes which are not from primary source, but are imported; one (1) wine code from primary source; and seven (7) wine codes which are not from primary source, but are imported. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Chief Moore inquired as to the status of Administrative Rule Liq. 7800, following the public hearing of last week. Commissioner Byrne said the amended rule was approved and adopted by the Commission yesterday.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated May 13 through May 20, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. July Special Offers (141 items – Horizon Beverage Company)

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of one hundred forty-one (141) spirit items, to be featured on sale during July 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Fourth of July Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-nine (39) spirit items to be featured on sale during the Fourth of July sale, scheduled for Thursday, July 1 through Sunday, July 11, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Special Offers for the Fourth of July 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) wine item from Executive Wine & Spirits and six (6) wine items from Horizon Beverage Company, to be featured on sale during the Fourth of July 2004 sale, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford